

IFRS 16 Transition submission: FAQs

Last updated: 24 October 2022

Frequently asked questions

The table below sets out example scenarios flagged by some providers while completing the IFRS 16 transition disclosure. The guidance given explains how to address these scenarios on transition and therefore where to record any impact this has on the IFRS 16 transition disclosure required in the template due for submission on 28 October.

Scenario	Guidance
<p>Our 31 March 2022 operating lease commitment included service charges which are not included in the IFRS 16 liability.</p>	<p>Under IAS 17 the commitments disclosure was one of minimum lease payments which were defined in the definitions in paragraph 4 as excluding service charges. IFRIC 4 did permit use of a practical expedient where separating the service element was deemed impracticable. Paragraph 15 of IFRS 16 offers a similar expedient. Where the practical expedient was applied under IFRIC 4 but has not been used under IFRS 16, this will be a reconciling item.</p> <p>For the return due on 28 October, please use row TRA0150 (prior period error) to adjust out the discounted commitment. We appreciate that where practicability has changed this is not necessarily a prior period error - a dedicated row for this difference will be added to the table in the month 9 TACs.</p>
<p>One of our existing operating leases was provided for on-SoFP with an onerous lease provision at 31 March 2022.</p>	<p>The transition provisions of the standard address onerous leases through impairment of the right of use asset. On transition, a lease liability is recognised for the remaining lease payments along with the corresponding asset. The onerous lease provision is then immediately netted against the asset value (all still part of transition).</p> <p>If the lease was included in the operating lease commitments note as at 31 March 2022 there will be no reconciling adjustments in the transition disclosure. If the lease was included in provisions only and not the commitments note, please contact us to unlock TRA0200 (other adjustments).</p>
<p>We have rent reductions that were not reflected in our commitment on 31 March 2022. There is only a row for rent increases and not rent reductions.</p>	<p>Please use the rent increases row and fail the signage check for this submission.</p>

<p>We have identified some leases that should have been included in our IAS 17 operating lease commitment note but were omitted in error. They are included in our IFRS 16 opening liability.</p>	<p>This is a prior period error in the operating lease disclosure. Please use TRA0150 for this difference.</p>
<p>We have reassessed our leases under IFRS 16 and have concluded that some contracts considered leases under IAS 17 are not leases under IFRS 16 so are not included in our opening liability (or vice versa).</p>	<p>In the public sector, grandfathering of existing IAS 17 / IFRIC 4 lease assessments is mandatory (i.e. assessments of whether an existing contract is or contains a lease). Existing contracts should not be reassessed under IFRS 16. All previously identified leases under IAS 17 must be included in the opening IFRS 16 liability.</p> <p>The exception here would be if the IAS 17 / IFRIC 4 assessment was an error – this would then be a prior period error in the 31 March 2022 operating lease disclosure (TRA0150).</p>